

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6064**

**BILL NUMBER:** HB 1124

**NOTE PREPARED:** Feb 27, 2008

**BILL AMENDED:**

**SUBJECT:** Sheriffs' and Deputies' Surviving Spouse Pension.

**FIRST AUTHOR:** Rep. Goodin

**FIRST SPONSOR:** Sen. Meeks

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill authorizes a county to provide a cost-of-living adjustment (COLA) to a surviving spouse of an employee beneficiary of a sheriff's department's pension trust.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Several counties now provide COLAs on benefits payable from the retirement plan. These COLAs vary by the maximum annual increase (not to exceed 3%) and the period for which the increases are provided (for the lifetime of the participant or only until the Social Security retirement age is reached, for instance). The impact of this proposal will depend on the extent counties will provide the COLA to surviving spouses. Furthermore, the impact will vary by county, based on the current surviving spouse benefit amount, the number of surviving spouses currently receiving the benefit, and the number of retired participants whose spouses are eligible to eventually receive the benefit.

**Background Information:** For illustrative purposes, the following is the estimated impact that would occur in one county's police benefit plan if the plan were to provide a COLA on the benefits paid to surviving spouses. (Lake County was used as the example.)

Increase in Unfunded Accrued Liabilities:	\$1,500,000
Increase in Annual Funding:	\$ 106,000
Increase in Annual Funding (% of payroll):	1.5%

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Sheriff's departments who elect to participate in this program.

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for many of the sheriff's department's pension trusts, 317-576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS**

**Funding**– A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

**Unfunded Actuarial Liability** -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.